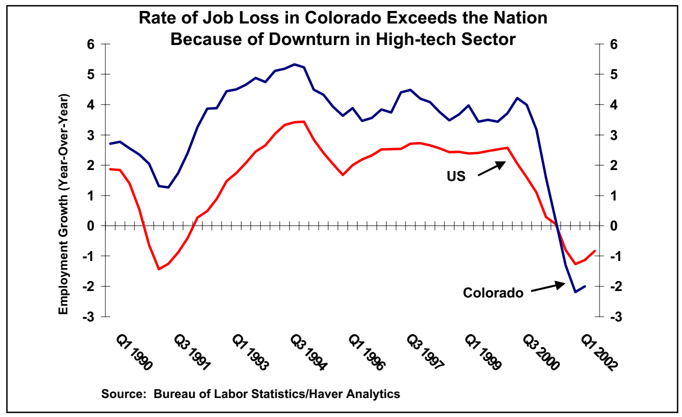
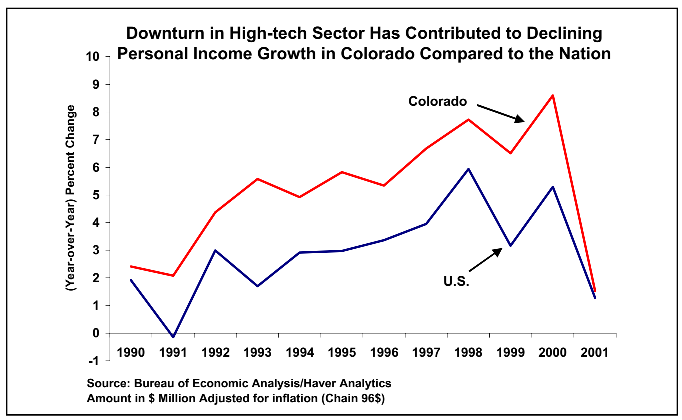
FDIC State Profile
WINTER 2002

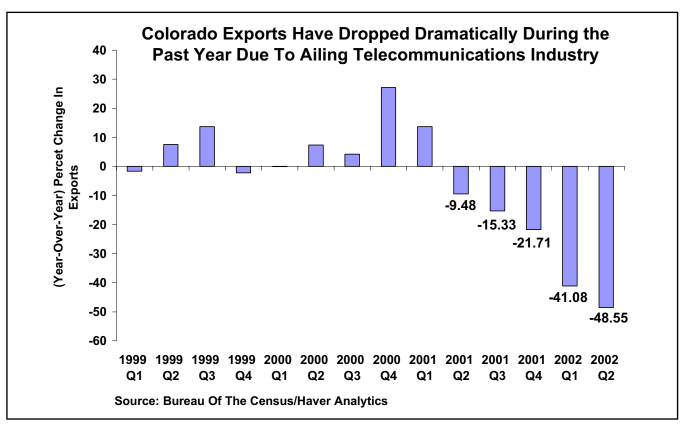
Colorado

The downturn in the high-tech sector has adversely affected the Colorado economy.

- Following a period of strong employment growth relative to the nation during the 1990s, the rate of job loss in Colorado now exceeds the nation (see chart). Job losses primarily are attributable to telecom bankruptcies in the *Denver* and *Colorado Springs* MSAs. Lackluster business investment in *computers and information technology* goods is contributing to employment declines in the state's manufacturing sector. Weak employment growth has spilled into the broader services sector as well.
- Personal income growth in Colorado exceeded the U.S. during the 1990s. Income growth in the state averaged nearly 6 percent annually during this period—double the national average. However, the decline in the *telecommunications* sector in early 2000 has contributed to a decline in personal income growth in the state. For the first time since 1950, personal income growth declined in Colorado for consecutive quarters.
- Colorado exports (concentrated in the computer and electronics sector) dropped significantly (–48.6 percent) during 2001 due to declining domestic and overseas demand and a relatively strong U.S. dollar.
- A near term positive for the Colorado economy is the *defense* sector. The recent passage of the Defense Appropriations Bill should help boost the Colorado economy. However, this likely will not be sufficient to pull the state out of the current malaise.



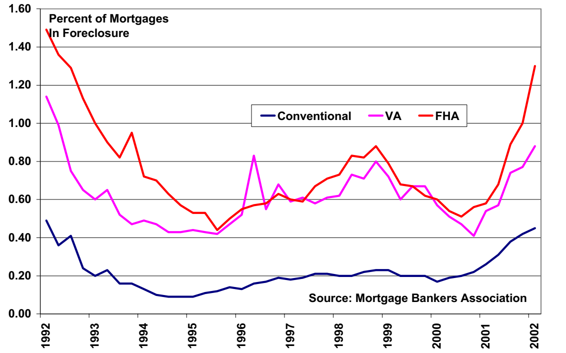




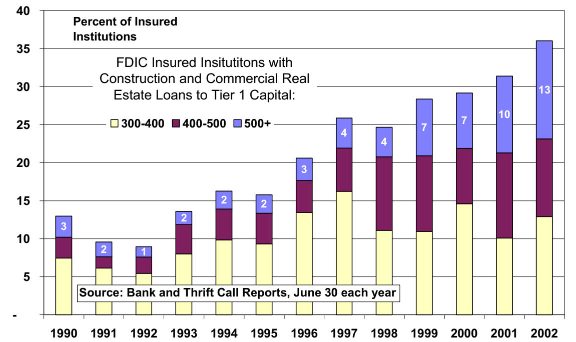
Despite a very sluggish Colorado economy, insured institutions headquartered in the state have performed well during the past year.

- Residential real estate in Colorado is showing signs of stress as evidenced by rising home foreclosure rates (see chart). Deterioration in FHA and VA mortgages is the greatest since 1991. (Could we provide data on FHA and VA loans to show the degree of deterioration?) However, insured institution past-due and charge-off rates have remained relatively low despite a weakening economy. However insured institutions engaged in sub-prime mortgage lending could experience some credit quality deterioration should the state and national economies remain sluggish.
- Office vacancy rates in the Denver MSA increased to 20 percent percent as of third quarter 2002, up from 8.8 percent two years earlier. Industrial vacancy rates also have risen to the highest level in a decade in this MSA. Despite the apparent weakness in the CRE sector, insured institutions headquartered in Colorado have increased CRE exposures to the highest level on record (see chart).
- The Great Plains and Western U.S. have experienced severe drought conditions during 2002. Cattle- producing areas have been among the hardest hit. The majority of Colorado's agricultural receipts are generated by the *cattle industry*. Producers, faced with rising feed prices because of the drought, have liquidated herds, increasing the supply of beef on the market and driving down prices.
- Thirteen counties in eastern Colorado are home to insured institutions with high agricultural lending concentrations (see chart) Despite depressed commodity prices, these agricultural banks continue to perform well. Average return on assets (ROA) for this group was 1.40 percent for the six months ending June 30, 2002. However, the median ROA was 1.18 percent, the lowest level in the last 12 years, suggesting that the poor performers are experiencing greater difficulties and are pulling down the median ROA.

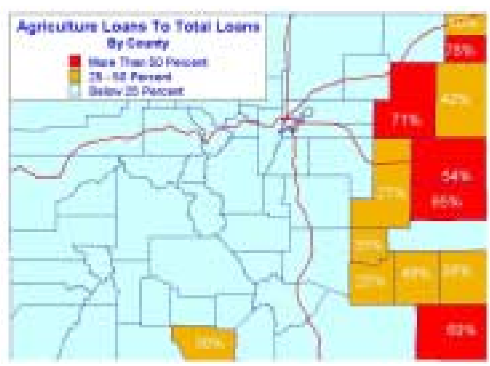
The Number of Colorado Mortgage Foreclosures Has Risen Rapidly in the Past Two Years



Insured Institutions Headquartered in Colorado Have Increased CRE Concentrations to Record Levels



Insured Institutions Headquartered In The Agriculturally Concentrated Eastern Half of Colorado Have Performed Well, Despite Poor Agricultural Conditions



Source: FDIC Bank and Thrift Call Reports

Colorado at a Glance

General Information	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98	Sep-97
Institutions (#)	171	178	185	190	201	216
Total Assets (in thousands)	48,021,049	49,134,232	46,083,611	40,014,911	36,634,969	32,443,758
New Institutions (# < 3 years)	9	9	11	16	14	11
New Institutions (# < 9 years)	25	24	26	26	23	19

Capital	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98	Sep-97
Tier 1 Leverage (median)	8.13	8.18	8.41	8.48	8.68	8.65

Asset Quality						
Past-Due and Nonaccrual (median %)	1.58%	1.44%	1.05%	1.15%	1.41%	1.56%
Past-Due and Nonaccrual ≥ 5%	15	13	14	17	18	16
ALLL/Total Loans (median %)	1.27%	1.17%	1.13%	1.19%	1.25%	1.21%
ALLL/Noncurrent Loans (median multiple)	2.20	2.46	3.26	2.58	2.65	2.72
Net Loan Losses/Loans (aggregate)	0.26%	0.29%	0.28%	0.48%	0.40%	0.38%

Earnings						
Unprofitable Institutions (#)	11	11	10	11	13	13
Percent Unprofitable	6.43%	6.18%	5.41%	5.79%	6.47%	6.02%
Return on Assets (median %)	1.28	1.34	1.37	1.31	1.39	1.44
25th Percentile	0.89	0.87	0.95	0.90	1.01	1.02
Net Interest Margin (median %)	4.74%	4.85%	5.12%	5.05%	5.21%	5.45%
Yield on Earning Assets (median)	6.82%	8.26%	8.66%	8.15%	8.48%	8.74%
Cost of Funding Earning Assets (median)	1.85%	3.24%	3.49%	3.03%	3.31%	3.31%
Provisions to Avg. Assets (median)	0.14%	0.13%	0.12%	0.13%	0.14%	0.13%
Noninterest Income to Avg. Assets (median)	0.86%	0.88%	0.92%	0.93%	0.97%	0.92%
Overhead to Avg. Assets (median)	3.37%	3.47%	3.48%	3.48%	3.54%	3.61%

Liquidity/Sensitivity						
Loans to Deposits (median %)	70.96%	73.04%	73.60%	70.03%	66.30%	69.79%
Loans to Assets (median %)	62.34%	61.31%	62.55%	58.80%	57.58%	60.75%
Brokered Deposits (# of Institutions)	22	23	23	22	29	27
Bro. Deps./Assets (median for above inst.)	4.18%	5.99%	1.97%	1.77%	1.60%	2.33%
Noncore Funding to Assets (median)	14.84%	13.97%	12.60%	11.71%	10.60%	10.75%
Core Funding to Assets (median)	75.18%	74.59%	76.11%	77.25%	78.47%	78.31%

Bank Class						
State Nonmember	95	98	100	104	107	96
National	48	54	56	61	66	89
State Member	28	26	29	25	28	31
S&L	0	0	0	0	0	0
Savings Bank	0	0	0	0	0	0
Mutually Insured	0	0	0	0	0	0

Asset Distribution						
$0 to $100 million	90	102	110	119	134	148
$100 to $250 million	45	44	45	43	42	53
$250 to $500 million	23	20	19	19	17	7
$500 million to $1 billion	8	8	8	5	3	5
$1 to $3 billion	4	2	1	2	3	1
$3 to $10 billion	0	1	1	1	2	2
Over $10 billion	1	1	1	1	0	0

MSA Distribution	# of Inst.	Assets	% Inst.	% Assets
No MSA	76	7,298,608	44.44%	15.20%
Denver CO PMSA	52	31,073,311	30.41%	64.71%
Colorado Springs CO	15	1,986,468	8.77%	4.14%
Ft Collins-Loveland CO	8	3,503,359	4.68%	7.30%
Boulder-Longmont CO PMSA	7	2,241,282	4.09%	4.67%
Greeley CO PMSA	6	1,012,447	3.51%	2.11%
Grand Junction CO	4	510,693	2.34%	1.06%
Pueblo CO	3	394,881	1.75%	0.82%